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STAFF REPORT BOARD MEETING DATE: December 8, 2015

DATE: December 1, 2015
TO: Board of County Commissioners
FROM: Kevin Schiller, Assistant County Manager
(775) 328-2008, kschiller@washoecounty.us
THROUGH: John Slaughter, County Manager
SUBJECT: Update and Presentation on Single Stream Recycling Proposed Models and other related matters with direction to staff on future changes to the current Garbage Franchise Agreement. (All Commission Districts.)

SUMMARY

Washoe County has had a Garbage Franchise Agreement with Waste Management and its subsidiaries since 1982. The agreement grants Waste Management an exclusive franchise to operate a garbage collection and disposal service in the unincorporated areas of Washoe County. The Sun Valley General Improvement District (SVGID) is included in this agreement through an Interlocal Cooperative Agreement. The Incline Village General Improvement District (IVGID) manages a separate agreement.

The current agreement was set to expire on December 12, 2015, with Waste Management exercising their option to extend for five years. In addition, the City of Reno and Waste Management instituted a new Single-Stream Recycling Program for Reno customers in 2013. The City of Sparks is considering a similar program.

Washoe County Strategic Objective: Safe, secure and healthy communities.

PREVIOUS ACTION

On November 29, 2000 the Board approved and authorized the Chairman to execute the second amended agreements with Independent Sanitation Company extending the term of the Franchise Agreement.

Washoe County Health District passed a new Ordinance mandating the County reach a 35% diversion rate within 5-years (2015).

On June 24, 2014 Board received an update and presentation from Waste Management on Single Stream Recycling and potential options and changes with direction to staff to present at the Citizen Advisory Board Meetings for constituent input towards potential models.

AGENDA ITEM # 11/19

On April 14 the Board received an update on Single Stream Recycling Proposed Models and gave direction to staff on future changes to the current Garbage Franchise Agreement.

BACKGROUND

The original agreement with Waste Management (formerly Independent Sanitation) began on December 31, 1982. Independent Sanitation brought forth the renewal and extension of the Franchise Agreement on November 29, 2000, approximately two years prior to the expiration of scheduled expiration of the agreement with the primary reason being the company wanted to renew the agreement at this time due to the need to construct two new transfer stations in order to increase the efficiency of operations, as well as helping to cut down on illegal dumping. The company wanted to insure a long-term agreement with the County before they made the capital investment in the new transfer stations.

The existing Garbage Franchise Agreement between Washoe County and Waste Management (Attachment A) was approved on November 29, 2000 and was set to expire on December 12, 2015, with an option to extend for five years in favor of Waste Management towards a final expiration date of December 12, 2020. Waste Management provided the required notice on June 2, 2015 to exercise their option to extend the agreement for five years. Since 2007 Sun Valley General Improvement District (SVGID) is included in this agreement through an Interlocal Cooperative Agreement for Garbage Collection between SVGID and Washoe County. The Incline Village General Improvement District (IVGID) manages the Solid Waste Franchise Agreement for the communities of Incline Village and Crystal Bay.

A single stream recycling program streamlines and simplifies the process of collecting and sorting recyclable materials, increasing rates by up to 50 percent. In a single-stream recycling system, residents and commercial customers place recyclables in a recycling cart and waste in waste cart for pickup, and no longer need to separate these materials in their homes or workplaces. This program modernizes curbside collection and helps the community exceed the 35% recycling mandate set forth by Washoe County Health District.

The source-separated program currently in use in Washoe County (green and yellow crates) requires customers to sort cans, bottles and paper into separate crates, which are then placed at the curb, open to theft and winds that often results in trash in our streets. While the source-separated crates used to be an effective method of collection, single-stream recycling is more convenient and efficient at diverting recyclable materials. This enhanced recycling method has been shown to increase the amount of recyclable material collected, which can decrease the amount of waste sent to the Lockwood Landfill.

In 2014 Waste Management and the City of Reno implemented a single stream recycling program. The base service level increase to customers was \$2.25. Waste Management is in the process of discussion and design for implementation of a similar program within the City of Sparks to be implemented in the coming months. At the present time, Washoe County utilizes single stream recycling at County owned operational facilities located at 1 So. Sierra - Mills Lane; 350 So. Center - Liberty Center; and 301 So. Center - Reno Library with training provided to staff. Reports have been positive related to the use in comparison to the previously established bin system.

In conjunction with implementation in Reno, unincorporated constituents' contacts have included both support and opposition regarding implementation of single stream recycling within unincorporated Washoe County. Waste Management has requested consideration and evaluation of changes to the Franchise Agreement towards possible implementation of single stream recycling within Washoe County. A key tenant is related to maintaining the current level of service to minimize the impact of rates across all residential customers. A secondary issue is related to Board direction on implementation within the commercial industry which would include single stream usage within all Washoe County facilities.

The primary issue facing a change to the current franchise agreement to implement single stream recycling in unincorporated Washoe County is the potential impact to residential rates. Within Reno and in the City of Sparks the cost of a residential single stream recycling program is subsidized through revenue from commercial customers. The County does not have sufficient commercial revenue to support a similar model thus alternatives would be necessary to equalize and minimize rate increases on unincorporated residential customers. The following outlines the approximate subsidy differential between the County and the other two jurisdictions:

Agency	Commercial Customers/Revenue	Approximate Subsidy to Residential Recycling
Reno	4,210 customers/\$17.262 million revenue	\$1.7 million
Sparks	1,092 customers/\$6.87 million revenue	\$690 thousand
Washoe County*	384 customers/\$1.339 million revenue	\$134 thousand

*includes Sun Valley

An additional challenge is the issue of unincorporated County customers with large parcels. Within the City of Reno residential customers are allowed to dispose of one pickup truck load of waste four times a year. Within Washoe County options could be increased pick up times for fall and spring, and increased truck load disposal days. Additional options and the fiscal impacts are included in the attached presentation by Waste Management.

In follow up to the Board direction on April 14, 2015 and June 24, 2015, given the significant amount of constituent contacts related to the franchise agreement and single stream recycling, staff has presented jointly with Waste Management at the Citizen Advisory Board's throughout the region to elicit input in the development of the models and eventual recommendations to the Board. As of the writing of this report the following meetings have occurred or are pending:

Citizen Advisory Board	Date	# of attendees
All 6 active CABs Leadership Team Meeting/Training	3/19/2014	21
North Valleys Regular CAB Meeting	2/9/2015	35
Spanish Springs Regular CAB Meeting	1/14/2015	22
East Truckee Canyon Regular CAB Meeting	4/1/2015	15

South Truckee Meadows/ Washoe Valley Regular CAB Meeting	1/8/2015	54
West Truckee Meadows Regular CAB Meeting	3/9/2015	6
Sun Valley CAB meeting	10/5/15	19

Note: Incline Village CAB was not included as IVGID maintains a separate Garbage Franchise Agreement.

Through both constituent contacts and the Citizen Advisory Board process, key areas of feedback and concern include:

- Maintaining the ability to use your own receptacle vs the provided Waste Management Bin;
- Requests for options regarding sizes of the Waste Management receptacle;
- Increased pick up in the spring and fall due to increased debris within those intervals;
- Senior Citizen Discount provision to customers;
- Requests for a receptacle specific to yard waste (currently Waste Management does not provide this service throughout the region);
- Continued ability to place bags with the receptacle (currently Reno utilizes a tag system);
- Questions concerning any rate increases specific to implementation (projected increases within models included in presentation by Waste Management);
- Concerns that this is simply a means to increase profit by Waste Management
- Provision of Bear containers and increased service to include walk up assistance similar to that provided to those that are disabled.

In follow up to the last BCC meeting and direction, staff has continued to work with Waste Management options to be included within a new agreement to include single stream recycling and potential options. The following outlines proposed optional services to be included within the scope of the new agreement, however additions or further direction can be provided in moving forward with a proposed agreement.

Optional services: A list of additional services that are available to residential customers that are paid for on an optional basis will be provided in the franchise:

Side yard service	\$ 10.50
Side yard service-disabled customer	\$ 0
Service of animal resistant container or bear shed	\$ 10.50
Extra sticker	\$ 2.45
Spring/summer sticker package (20 stickers)	\$ 45.00
Additional 96 gallon waste cart	\$ 7.37
Additional 96 Gallon recycling cart	\$ 5.37
Cart switch out fee	\$ 53.00
Recycling contamination fee	TBD
Cart replacement fee as a result of customer damage	\$ 88.00
Residential bin service (includes initial delivery & pick up)	
4 yard container	\$ 98.65
6 yard container	\$120.85
Residential roll off service (includes initial delivery & pick up)	
14 yard open top container	\$219.13
20 yard open top container	\$239.03
30 yard open top container	\$333.52
closed top containers are an additional	\$25.00

Proposed rate changes at the current 5 % franchise fee:

	Current Rate	Proposed Service level	Proposed Flat
Residential Trash Options			
32 GAL CUSTOMER OWNED + 7 BAGS TRASH	\$19.41	1-64 GAL MSW, 1-96G RCY	\$15.12
96 GAL TOTEY FEL + 7 BAGS TRASH	\$22.21	1-96 GAL MSW, 1-96G RCY	\$23.93
ONE 32 GAL CUSTOMER PROVIDED - NO EXTRAS	\$12.14	1-64 GAL MSW, 1-96G RCY	\$15.12
ONE 64 GAL WMI PROVIDED - NO EXTRAS	\$17.50	1-64 GAL MSW, 1-96G RCY	\$22.35
ONE 64 GAL (includes one 96G Fty) - grandfathered customers	\$14.29		\$15.12
Senior Rates (Existing Senior Customers Only)			
32 GAL CUSTOMER OWNED SR RATE +7 BAGS	\$14.24		
64 GAL FEL TOTEY SENIOR FLAT	\$14.29	1-64 GAL MSW, 1-96G RCY	\$15.12
96 GAL FEL TOTEY SENIOR FLAT	\$17.04	1-64 GAL MSW, 1-96G RCY	\$19.00

A secondary option is to increase the current franchise fee, at the present rate of 5% the approximate revenue is \$523,000.00, each percent of increase equates to about \$100,000 in revenue. An increase would allow for establishment of a fund to support waste management related initiatives. Examples include services to alleviate illegal dumping, bear containers and services, subsidies for seniors and or disabled, or to support other related programs within Washoe County. Based on the proposed rate structure above, at a rate of 8% the overall impact would be an additional .26 cents to the majority of the customer base and would generate approximately \$500,000.00 annually. At the present time the City of Reno and the City of Sparks currently have their franchise fee set at 8%.

Continued concerns have been brought forward regarding bears and trash service within specific areas of Washoe County. Within the current franchise agreement Waste

Management will service bear containers owned by current customers, but will not currently provide them as they are cost prohibitive. Waste Management indicates that servicing the containers can be problematic given many that are purchased are not suitable for long term use with the Waste Management service equipment. The average cost for a suitable container is approximately \$230.00. Services currently being requested through the respective homeowners associations in these areas include the addition of walk up service to move and empty the containers and providing of the appropriate containers by which is also supported by the State of Nevada, Division of Wildlife. Waste Management is willing to assist in ways to remedy this issue; however the primary barrier is the overall cost and impact to customers throughout the County. An initiative to address this within specific regions of Washoe County to include education and possible financial assistance to residents could be facilitated through an increase in the franchise fee above the current rate set at 5 percent.

FISCAL IMPACT

The current agreement sets the franchise fee at 5% and provides for approximate revenue of \$523,000.00 annually. For each increase of 1% above the current rate this equates to an increase of approximately \$100,000.00 in annual revenue.

RECOMMENDATION

It is recommended that the Board of County Commissioners acknowledge update and presentation on Single Stream Recycling Proposed Models and other related matters with direction to staff on future changes to the current Garbage Franchise Agreement.

POSSIBLE MOTION

Should the Board agree with the recommendation, a possible motion would be to “acknowledge .” acknowledge update and presentation on Single Stream Recycling Proposed Models and other related matters with direction to staff on future changes to the current Garbage Franchise Agreement.”

**SECOND AMENDED
WASHOE COUNTY GARBAGE FRANCHISE AGREEMENT**

This Amendment, made and entered into effective this 12th day of December, 2000, by and between THE COUNTY OF WASHOE, a political subdivision of the State of Nevada, hereinafter referred to as "Washoe County", and INDEPENDENT SANITATION COMPANY, a Nevada corporation, hereinafter referred to as "Independent Sanitation",

WITNESSETH:

WHEREAS, The Board of County Commissioners of Washoe County, pursuant to the power granted by NRS 244.187, has authorized the granting of an exclusive franchise for the right and privilege of operating a garbage collection and disposal service in the unincorporated areas of Washoe County; and,

WHEREAS, by Resolution adopted June 22, 1982, the Board of County Commissioners authorized the necessary procedures be implemented to request proposals and bids for an exclusive franchise, and

WHEREAS, at a regular meeting of the Board of County Commissioners of Washoe County, Nevada, on December 28, 1982, Independent Sanitation was declared the successful bidder and awarded an exclusive franchise for the operation of a garbage collection and disposal service for the unincorporated areas of Washoe County, Nevada, and,

WHEREAS, Washoe County and Independent Sanitation set forth the terms and conditions of said exclusive franchise in a written agreement dated December 31, 1982, which agreement was amended by written agreement dated April 14, 1992;

WHEREAS, at a regular meeting of the Board of County Commissioners on December 12, 2000, the Board approved a further amendment to extend the term of the franchise agreement and to set a procedure for adjusting rates charged to customers;

NOW, THEREFORE, for and in consideration of the covenants and agreements herein contained, and for other valuable consideration the receipt of which is hereby specifically acknowledged, the parties hereto do hereby agree as follows:

I.

DEFINITIONS

As used in this Agreement the following definitions apply:

1.1 "Solid Waste" or the "Solid Waste Stream" has the meaning ascribed to it in NRS 444.490 which definition includes all putrescible and nonputrescible refuse in solid or semisolid form, including, but not limited to, garbage, rubbish, junk vehicles, ashes or incinerator residue, street refuse, dead animals, demolition waste, construction waste, solid or semisolid commercial and industrial waste. The term does not include "hazardous" waste as defined by NRS 459.400 to 459.600, inclusive.

1.2 "Garbage" means putrescible animal and vegetable waste resulting from the handling, storage, preparation, cooking, and sale and serving of food and beverage. This includes, but is not limited to:

(a) Offal, swill, kitchen and table waste, and other organic animal and vegetable waste.

(b) Bottles, cans, cups, plates, utensils, containers, and/or covering of any construction or material that has been in intimate contact with food, confection, and/or beverage, and;

(c) Any component used in the preparation or manufacture of matter intended for animal or human consumption, and;

(d) Such matter and/or materials listed in (a) through (c) above that have been discarded without first being sanitized.

1.3 The mixing, addition, or commingling of garbage with rubbish, trash, or other waste matter exclusive of group 1 wastes (as defined by Washoe County Health Department regulations governing solid waste management), renders the entire resulting mixture as garbage and requires the mixture to be handled as garbage.

The District Board of Health may authorize a different treatment of the solid waste stream by the recycling of materials under regulations adopted by the District.

1.4 "Rubbish" as used in this Agreement includes and means non-putrescible solid waste, exclusive of those unsanitized materials that have been in contact with garbage. These wastes include, but are not limited to, ashes, paper, cardboard, wood, glass, crockery, plastics and rubbish.

1.5 "Waste Matter" as used in this Agreement means unwanted or discarded materials resulting from any activity.

1.6 "District Board of Health" as used in this Agreement means the District Board of Health of the Washoe County Health District created pursuant to Chapter 439 of the Nevada Revised Statutes by the interlocal agreement of the City of Reno, City of Sparks and the County of Washoe, Nevada.

1.7 "District Health Officer" as used in this Agreement means the person appointed by the District Board of Health of the Washoe County Health District who is responsible for the enforcement of state and local health, sanitation and nuisance laws and the enforcement of regulations as approved by the Washoe County District Board of Health, created pursuant to NRS 439 and the interlocal agreement of the City of Reno, City of Sparks, and Washoe County, Nevada, and his designated or authorized representatives.

II.

GRANT OF EXCLUSIVE FRANCHISE

2.1 Franchise. Washoe County does hereby grant to Independent Sanitation the exclusive right, privilege, obligation and franchise to operate all garbage collection and disposal services in the unincorporated areas of the County of Washoe, State of Nevada. Independent Sanitation shall be required, however, to provide garbage collection and disposal services for those areas of Washoe County for which a rate has been established as set forth in paragraph V below. It is understood and agreed that rates have not been established for outlying and sparsely populated areas of Washoe County and for that reason no service is being provided; in the event service is requested or required for such areas, Independent Sanitation shall be required to provide garbage collection and disposal services at such time as a rate shall be established for such areas in accordance with paragraph V below.

2.2 Term. This exclusive franchise shall commence December 12, 2000, and continue in full force and effect for a period of fifteen (15) years. Upon expiration of the 15 year primary term, Independent Sanitation shall have the right to extend the term of the franchise for an additional five (5) year term. Said right and option to extend the term for an additional 5 years shall be exercised by Independent Sanitation by giving written notice to Washoe County at least 6 months prior to the expiration of the primary term.

2.3 Garbage Only. It is understood and agreed that this exclusive franchise is limited to the collection and disposal of "garbage" as the same is defined herein and defined by Washoe County Code.

2.4 County Facilities. Washoe County expressly reserves the right to collect and dispose of garbage from Washoe County facilities located within the unincorporated areas of Washoe County provided that Washoe County equipment and employees are utilized.

2.5 Title To The Solid Waste Stream. The title to all of the solid waste stream and the property rights associated therewith for the collection and disposal of solid waste under this Agreement shall be the sole property of Independent Sanitation:

For purposes of this Agreement, the collection process includes that portion of the Independent Sanitation operation from the time that garbage or any solid waste is picked up from the customers until it is deposited at the transfer station or landfill described in paragraph III.

III.

OBLIGATIONS OF FRANCHISE HOLDER

3.1 Equipment. Independent Sanitation shall at its cost and expense, furnish a sufficient number of trucks and other equipment, including all drivers and workers required for the service, operation, and maintenance of said trucks and other equipment for the purposes of providing a regular and satisfactory garbage collection and disposal service in the areas covered hereby.

3.2 Sanitary Operation. Independent Sanitation shall at all times exercise diligence in the supervision of its personnel to the end that care is taken to deposit all garbage inside collection

vehicles, leaving no evidence, bits or pieces of garbage or other waste matter upon any street, alley, walkway or other public place within the County, or upon any private property used for the collection of garbage and other waste matter. Collection vehicles shall be safe, adequate and clean, constructed in such a manner to be completely covered so as to prevent the sifting, spilling, dripping or blowing of any contents from the vehicle. Independent Sanitation's collection equipment shall be modern, up-to-date, maintained in good repair, and reasonably water tight. The exterior of the equipment shall be kept clean and presentable and the interior shall be thoroughly cleaned after dumping each load.

3.3 Public Relations. Independent Sanitation shall diligently exercise supervision and training of its personnel to the end that the public coming into contact with such personnel shall be treated decently and courteously at all times. All workers employed by Independent Sanitation shall be prohibited from the use of profanity with the public and no drinking of alcoholic beverages shall be allowed, nor shall any employee be allowed to work while under the influence of alcohol, drugs, or other stimulants.

3.4 County Sanitary Landfill. Independent Sanitation shall be required to deposit all solid waste collected pursuant to this Franchise Agreement at an approved landfill site. For purposes of this Franchise Agreement, an approved landfill site is one holding a valid permit to permanently deposit municipal solid waste in accordance with all applicable laws and regulations of the United States, the State of Nevada, the Nevada Environmental Commission, and the Washoe District Board of Health.

The approved landfill must be one open to the public to the end that residents of Washoe County shall have a disposal site for trash and other items of solid waste not collected pursuant to this Franchise Agreement.

It shall be the sole responsibility of Independent Sanitation to provide for the permanent deposit of solid waste collected pursuant to this agreement, in accordance with all applicable Federal, State and Local laws and regulations. Independent Sanitation shall comply with this requirement by operating its own landfill or by entering into an agreement with the operator of a landfill which meets the requirements of this agreement.

Independent Sanitation agrees that the landfill will be open for public dumping at no cost of the following household appliances: refrigerators, hot water heaters, stoves, washers, dryers, dishwashers; and the following items of household furniture: sofa, sofa chair, mattress and box springs.

It shall be a requirement of the designated landfill site to conspicuously post the rates to be charged for public dumping, the hours of operation and the method of determining how rates shall apply to the amount of material delivered for dumping.

3.5 Transfer Station. Independent Sanitation shall be required to utilize an approved transfer station. The transfer station shall provide for the temporary collection and compaction of solid waste so that an economical method of transportation of solid waste to an approved landfill is utilized by Independent Sanitation.

During the term of this franchise agreement, Independent Sanitation shall determine whether it would be in the best interests of the community and financially feasible to construct two satellite

transfer stations, one located in the general vicinity of the Mt. Rose Highway/Highway 395 intersection and one located in the area of the County generally referred to as Spanish Springs. Independent shall, in its sole judgment determine the feasibility of the location and construction of new satellite transfer stations. The new transfer stations shall meet all requirements of an approved transfer station as further defined herein.

For purposes of this Franchise Agreement, an approved transfer station is one holding a valid permit for the temporary storage of municipal solid waste in accordance with all applicable laws and regulations of the United States, the State of Nevada, the Nevada Environmental Commission, and the Washoe District Board of Health.

The transfer station to be considered approved under this agreement must be open to the public, with rates for public dumping conspicuously posted, along with the hours of operation and the method of determining how rates will apply to the amount of material delivered for dumping.

It shall be the sole responsibility of Independent Sanitation to provide for a transfer station meeting the requirements of this agreement. Independent Sanitation may comply with this requirement by operating its own transfer station or by entering into an agreement with the operator of a transfer station which meets the requirements of this agreement.

Independent Sanitation agrees that the transfer station will allow the public to dump, free of charge, the following household appliances: refrigerators, hot water heaters, stoves, washers, dryers, dishwashers; and to dump, the following items of household furniture: sofa, sofa chairs, mattresses and box springs. Free public dumping of the foregoing items will be permitted on the first weekend of the months of January, April, July, and October.

IV.

FRANCHISE FEE

4.1 Franchise Fee. Independent Sanitation, its successors and assigns, shall pay to Washoe County, in monthly installments during the term hereof, in an amount equal to five (5%) percent of the "gross receipts" collected by Independent Sanitation under this agreement.

All franchise fees paid by Independent Sanitation to Washoe County under this Agreement shall be considered as a reasonable cost of operation for purposes of determining collection rates under paragraph V hereof.

4.2 Definition of "Gross Receipts". The term "gross receipts" as used in this agreement includes all money, cash, receipts, property, or other thing of value collected by Independent Sanitation from both residential and commercial customers who use the service of Independent Sanitation under this agreement. Included in gross receipts is all sums collected by any companies operating within Washoe County which have cooperating agreements with Independent Sanitation including, Capital Sanitation, or any other of its assignees, licensees or permittees rendering services for and on behalf of Independent Sanitation under this exclusive franchise agreement. Gross receipts shall not include any sums received by Independent Sanitation, its assignees, licensees or permittees from any general improvement district that has been granted the authority by Washoe County to provide for the collection and hauling of garbage and which has entered into a separate agreement with Independent Sanitation for such services.

4.3 Record Keeping. During the life of this agreement, Independent Sanitation shall keep full, true, and correct books, records, and accounts, establishing the identity and number of customers served by it, and the amount of its gross monthly receipts which said books, records, and accounts shall at all times be open to inspection by the duly authorized representatives of Washoe County during regular business hours. Further, Independent Sanitation shall furnish to Washoe County monthly a statement of all of its gross receipts attested as being correct by a representative of Independent Sanitation duly authorized to do so.

V.

GARBAGE COLLECTION RATES AND PROCEDURES

5.1 Establishing Rates For Collection. For and in consideration by Independent Sanitation of the obligations on its part to be performed hereunder, Independent Sanitation shall be entitled to charge its customers a fee or rate for all services rendered hereunder. During the Term hereof, Washoe County may select the method for establishing rates set out in paragraph 5.2 hereof, and in this event, the method set out in paragraph 5.2 shall remain in effect for the balance of the Term of this Agreement as defined in paragraph 2.2 hereof. Until such time that the method set out in paragraph 5.2 is selected by Washoe County, by action of the Board and notification of said action to Independent Sanitation in writing, rates shall be established in accordance with paragraph 5.3 hereof.

5.2 Rates Adjustment By Cost Of Living Index. The Rates to be charged by Independent Sanitation to subscribers shall be established by Washoe County within the guidelines described in this subparagraph and subparagraph 5.3 hereof. The rates established by the County Commissioners as of the effective date of this Amended Agreement are set out in Exhibit "A" and incorporated herein by reference.

The rates in effect as of the effective date of this Amended Agreement, and all rates established by the County Commissioners hereafter shall be subject to annual increases based upon the percentage of change in the Consumer Price Index, All Urban Consumers, U.S. City Average-Item: Garbage and Trash Collection (1983=100) ("CPI") as published by the Bureau of Labor Statistics, Washington, D.C. commencing with the index for January, 2000, being the base period for purposes of making adjustments.

The first adjustment shall be made effective as of May 1, 2001, and shall be based upon the CPI increase for the period January, 2000 to January, 2001, and rates shall be adjusted in the same manner annually thereafter.

Adjustments in accordance with the CPI shall be subject to the following qualifications:

a) Rates adjusted in accordance with the CPI shall not be greater than six percent (6%) nor less than zero percent (0%) in any one year regardless of the percentage change in the CPI; and

b) In the event Independent Sanitation obtains a return on revenues (as defined in paragraph 5.3 hereof) that averages more than eight percent (8%) per annum, using a 3-year rolling average, then the company will not be entitled to make a cost of living adjustment for the

immediately succeeding year, and continually thereafter so long as the 3-year rolling average of return on revenues exceeds 8%.

Notwithstanding the method of establishing rates described above, Independent Sanitation shall have the right to request a rate established under paragraph 5.3 where unforeseen or extraordinary circumstances results in significantly higher costs of operation than could be reasonably anticipated.

Rates adjusted in accordance with the consumer price index as described herein shall not include the rate for recycling which is described in Article VI hereof.

5.3 Periodic Rate Review. The parties agree that Independent Sanitation shall be entitled to collect a just and reasonable rate from all subscribers to the services rendered in collecting and disposing of garbage, rubbish and waste matter under this Agreement. In establishing rates, Washoe County and Independent Sanitation agree:

(a) Independent Sanitation shall be entitled to a fair return on revenues. Return on revenues is hereby defined as the ratio of net income to gross revenues. Net income is arrived at by deducting all expenses (including taxes) from gross revenues.

(b) Rates shall be reviewed by the parties periodically and rates may be adjusted so as to allow Independent Sanitation to recover its reasonable costs of operation and receive a fair return on revenues. It is the intent of the parties that the rate adjustment shall be made by Washoe County after due consideration of both the rights of the public to be served at a fair and reasonable charge and the right of Independent Sanitation to a fair return on revenues.

5.4 Establishing Residential Rates. For residential services, Independent Sanitation shall be entitled to collect a garbage collection fee based upon the following criteria:

- (i) The charge for collection of garbage for residential areas shall be on a weekly basis and shall include one "designated container". A "designated container" shall be equal to a container not to exceed a capacity of 32 gallons and 75 pounds in weight, or be a container approved by the franchise holder. The rate for residential service includes one designated container for garbage. For each additional designated container for garbage, an additional rate shall be charged by the franchise holder.
- (ii) When requested, the franchise holder shall provide more frequent collections on a regular basis, and the rate for such additional collections shall be agreed to in the same manner as commercial rates.
- (iii) The residential rate charged by the franchise holder shall require that the designated container be placed behind the curb or on the edge of the alley by 7:00 a.m. on the regular collection day. The franchise holder shall be entitled to collect an additional charge for any additional containers of garbage, rubbish or waste matter which would be in addition to the regular residential service.

- (iv) All multiple dwelling buildings, including but not limited to, duplexes, apartments, condominiums, cooperatives, mobile homes and trailer parks, and any other building or businesses containing multiple dwelling units which buildings are not a single family dwelling shall be charged the residential rate for each dwelling unit, and an additional charge for each dwelling unit requesting additional containers or services; provided, however, an owner of a multiple dwelling building or business, by using dumpsters or equivalent containers may make application to the franchise holder to be charged in accordance with the rates for business establishments.

5.5 Commercial Rates. For commercial service, Independent Sanitation shall be entitled to collect a garbage collection fee based upon the following:

- (i) Commercial accounts in the entire franchise area shall be serviced at a rate to be negotiated between Independent Sanitation and the commercial user. In the event the rate cannot be so determined, the Washoe County Manager shall establish the rate after consultation with both parties.
- (ii) Commercial rates shall apply to each business establishment, public building or place, and buildings of a commercial nature containing dwelling units or living accommodations of a temporary or transient nature, including, but not limited to motels, hotels, boarding houses and rooming houses.

5.6 Rates for New Areas. Those areas of Washoe County for which the rate has been established shall be delineated upon a map which shall be made a part of the Washoe County Code and a copy shall remain on file with the Washoe County Clerk.

It is recognized and agreed, however, that no rate has been established for garbage and collection services for outlying sparsely populated areas of Washoe County and for that reason no service shall be required by Independent Sanitation for those areas. For such new areas where Independent Sanitation is required or requested to provide collection and disposal services, Independent Sanitation shall be entitled to receive a rate which fairly compensates Independent Sanitation for its reasonable costs in providing the service to new areas in the same manner as rates have been established for various areas of the County.

5.7 Unlawful Accumulations. In any area of the County where a rate has been established, the District Health Officer, upon application of either the franchise holder or any owner requesting service, shall have the power and authority to determine whether the service requested by an individual or business establishment is adequate to prevent the unlawful accumulation of garbage or to prevent a health hazard or nuisance.

5.8 The rates for collection and disposal of garbage as set forth herein have been established upon the presumption that mandatory garbage service will be in effect for the entire area within the boundaries of Washoe County and for the entire period that a rate is in effect. It is understood and agreed that in the event that mandatory service is not in force, then the rates set forth herein will be increased in an amount necessary to compensate Independent Sanitation for its increased cost of operation.

5.9 Collection Procedures. Independent Sanitation shall be entitled to adopt and enforce the following billing procedures:

- (i) Billing for residential service shall be in advance for the charges allowed by County Code on a quarterly basis, and such charges shall be due and payable on the first day of each billing period. Independent Sanitation shall be authorized to establish procedures for collecting delinquent accounts including the right to collect security deposits.
- (ii) The franchise holder shall bill for commercial service in advance on a monthly basis, and such charges shall be due and payable on the first day of each billing period. The bill or charge for commercial service shall be delinquent if not fully paid on the last day of each monthly period.
- (iii) In case any person shall fail to pay the charges for residential or commercial service, within 15 days after the same become delinquent, the franchise holder shall be entitled to charge interest on such delinquent accounts at the rate of ten percent (10%) per annum.
- (iv) As a result of a vacancy, a subscriber to the services of the contract holder may, by written, telephone or personal notice to the franchise holder, suspend collection services for a period of not less than 30 days, and the contract holder shall not bill the subscriber for the period of suspension. The subscriber shall notify the contract holder when collection service is to be resumed.
- (v) Any owner of real property as shown on the Washoe County Assessor's records may request that billings be directed to tenants or temporary occupants of premises, but in no event, shall such designation relieve the owner of the real property from the primary obligation to pay the debt and obligation for garbage collection service to the premises.
- (vi) Any resident who has obtained an exemption from the district health officer allowing that resident to haul and dispose of his own residential waste matter shall still be billed on a quarterly basis. Such resident, however, shall not be required to pay the amount billed if he submits to the franchise holder receipts or other evidence showing that he has disposed of his garbage at an approved disposal site for each week within the previous quarter. Failure to show such proof of compliance shall result in the entire bill being due and payable and may result in revocation of the exemption by the district health officer.

5.10 Service to Washoe County Facilities. Independent Sanitation agrees to collect and dispose of all garbage, and without cost or charge, at all buildings, parks and other facilities owned by Washoe County which are open to the public and operating under normal conditions. This complimentary service provided by Independent Sanitation shall not apply to the disposal of any form of solid waste that requires special handling or equipment, solid waste resulting from natural disasters, businesses operating for profit on County properties under special licensing or franchise agreements, any special community event operated or sponsored by Washoe County, or any other

types of extra-ordinary burdens that may be placed on Independent Sanitation for removal of solid waste from property owned by Washoe County.

Independent Sanitation shall cooperate with the designated landfill described in paragraph 3.4 hereof to allow the public to dispose of garbage and waste matter, free of charge, at the designated landfill site, for a period not to exceed 10 days, as a part of the annual "Spring Cleanup Campaign" sponsored by Washoe County. The cost of providing these services for and on behalf of Washoe County which are incurred by Independent Sanitation shall be considered as a reasonable cost of operation for purposes of determining garbage collection rates under paragraph 5.2 above.

VI.

RECYCLING PROGRAM

6.1 Definitions. The following definitions apply to the recycling program to be offered as a part of service provided by Independent Sanitation under this agreement:

- (i) "Solid Waste" has the meaning as defined in Paragraph 1.1 hereof.
- (ii) "Recyclable material" means solid waste that can be processed and returned to the economic mainstream in the form of raw materials or products, as determined by the State Environmental Commission.
- (iii) "Curbside Recycling" means a program whereby recyclable material is separated at the source of the solid waste stream and collected by the franchise holder.

6.2 Recycling Service. Independent Sanitation, through a related company, RSW Recycling, Inc., a Nevada Corporation, shall provide as a part of its normal residential service under this agreement, a program for curbside recycling for all such residential customers. The recyclable materials that are to be removed from the solid waste stream that shall be a part of the program furnished by Independent Sanitation shall be by mutual agreement of Independent Sanitation and Washoe County after due consideration to the cost of removing a particular recyclable material from the solid waste stream and the market for ultimate sale of such material.

Independent Sanitation through its related company, RSW Recycling Inc., shall be required to make the curbside recycling program described herein available to every residential customer within Washoe County regardless of whether the service is used or not.

6.3 Rate for Recycling. The rate for recycling shall be in addition to the rate for residential service. Although the rate for recycling is separately determined, this amount shall be included with the normal rates charged for collection described herein. Independent shall charge a rate for recycling to each individual customer of residential service regardless of whether that customer participates in the program.

The rate for recycling shall be determined based on the total recycling program maintained by RSW Recycling Inc., a Nevada corporation.. In establishing rates for recycling, Independent Sanitation through RSW Recycling Inc. shall include all revenues received from the sale of recyclable materials as an offset to the cost of providing the service.

6.4 Title To Recyclable Material. From the time recyclable materials are placed in a container provided by Independent Sanitation through its related company, RSW Recycling Inc., as a part of the recycling program, then the recyclable materials are the property of Independent Sanitation and RSW Recycling Inc. Any person engaged in the unauthorized collection of recyclable materials is guilty of a misdemeanor. Each such unauthorized collection constitutes a separate and distinct offense. Notwithstanding any criminal sanction that may apply, Independent Sanitation and RSW Recycling Inc. shall have the right to enforce their property rights to recyclable materials under this agreement in a civil action commenced for that purpose, and shall be entitled to recover three times the damages caused by the unauthorized collection.

VII.

SURETY

8.1 Independent Sanitation shall forthwith furnish to Washoe County a bond running to Washoe County in the penal sum of \$50,000 on the condition that said Independent Sanitation shall well and truly observe, fulfill and perform each and every term and condition of this agreement, which said bond shall provide that in the event of any breach of condition hereof, the whole amount of the penal sum herein shall be taken, and deemed to be liquidated damages, recoverable from the principal and surety on said bond. Said bond shall be approved by the Washoe County District Attorney and filed with the Washoe County Clerk.

VIII.

HOLD HARMLESS AGREEMENT

8.1 Independent Sanitation shall operate its garbage collection and disposal service in accordance with and in conformity to all ordinances, rules and regulations heretofore or hereafter adopted by the Board of County Commissioners in the exercise of its police powers and in accordance with the provisions and general laws of the United States or the State of Nevada relating to or applicable to the whole or any part of such garbage collection and disposal operation.

Independent Sanitation shall also be subject to and shall obey all rules and regulations adopted by the City-County District Health Department of Washoe County and all orders, rules and regulations of the District Health Officer.

IX.

LIABILITY INSURANCE

9.1 Independent Sanitation shall indemnify and hold harmless Washoe County and its Board of County Commissioners and the employees of Washoe County for any and all liability for damages resulting from any operation under this franchise and shall, throughout the term of this agreement, maintain in full force and effect with a carrier or carriers selected by Independent Sanitation and approved by the Risk Management Analyst for Washoe County in minimum amount of not less than \$1,000,000.00 per injury and \$3,000,000.00 per occurrence, protecting all insureds against liability arising out of any act or admission done pursuant to this franchise agreement and naming Washoe County as an additional insured. Said certificates of insurance shall provide a thirty (30) day notice of cancellation to all insureds.

It is understood and agreed that there should be no industrial insurance coverage provided by Independent Sanitation in accordance with the provisions of NRS 616.280. In this regard, Independent Sanitation shall, before commencing work under the provisions of this agreement, furnish to the County's Risk Management Analyst a certificate from [SIIS] certifying that Independent Sanitation has complied with the provisions of the State Industrial Insurance Act System, by providing coverage for each and every owner, including a sole proprietor, associate, partner, officer, employee, subcontractors and independent contractors. Independent Sanitation shall be required to pay for and maintain the above-mentioned industrial insurance coverage at the sole cost and expense of Independent Sanitation. In the even Washoe County must pay any premium to the SIIS on behalf of Independent Sanitation for any reason after the execution of this franchise agreement, Independent Sanitation agrees to reimburse Washoe County for all such payments, which sums shall be subtracted from any compensation owed to Independent Sanitation by Washoe County as may be provided for herein.

9.2 Notwithstanding the existence of any insurance coverage, Independent Sanitation shall hold Washoe County harmless of and from any and all liability, damages, claims and demands of every kind and character, arising out of the granting of this franchise and the execution of this agreement in the event, for any reason whatsoever, the terms hereof shall be challenged or questioned by any person or persons whomsoever.

X.

TRANSFER, ASSIGNMENT AND SUBCONTRACTS

10.1 Independent Sanitation reserves the right to assign or transfer its rights hereunder, provide that in such event, Independent Sanitation shall file with the Washoe County Clerk written notice of any contemplated sale, transfer, assignment, or lease of such franchise or any part thereof, or of any other rights or privileges granted hereby, 30 days before such sale, transfer, assignment or lease is to become effective. No such sale, transfer, or assignment or lease of such franchise, or any part hereof, shall be effective until and unless approved by the Board of County Commissioners, which consent and approval shall not be unreasonably withheld.

10.2 Independent Sanitation shall have the right to enter into subcontracts for the collection and disposal services required by this agreement, provided that Independent Sanitation shall remain responsible to Washoe County for the complete performance of all terms and conditions of this agreement by such subcontractors. In this regard, Washoe County acknowledges and approves the subcontracts entered into by Independent Sanitation for collection and disposal services with Tahoe Disposal Company, Capitol Sanitation, and Verdi Disposal Company. All subcontractors shall be required to fully perform all terms and conditions of this franchise agreement and the Washoe County Codes pertaining to garbage and collection services, and subcontractors shall be required to collect at the rates established by Washoe County.

10.3 Washoe County does hereby acknowledge that Independent Sanitation has entered into a separate franchise agreement with the Incline Village General Improvement District for all garbage collection and disposal services for that portion of Washoe County governed by the Incline Village General Improvement District. Washoe County further acknowledges that the Improvement District has also established the rates for garbage collection and disposal services for that portion of Washoe County governed by the Improvement District.

XI.

DEFAULT AND TERMINATION

11.1 In the event Independent Sanitation is in default of any duty or obligation imposed upon it by the terms and conditions of this agreement, or breaches any provisions of this agreement, or fails to abide by all of the laws, rules or regulations pertaining to the garbage collection process or pertaining to this agreement, then in such event, in the event such default, breach or deficiencies are not remedied or cured within 30 days after receipt of written notice of such default, breach or deficiency from the County, the County may at its option, terminate this agreement.

XII.

BINDING EFFECT

12.1 This agreement shall inure to the benefit of and be binding upon the parties, and their respective successors and permitted assigns.

XIII.

AMENDED AGREEMENT

13.1 This Agreement supersedes the Agreement of April 14, 1992, which agreement is null and void. This Agreement may be further amended only with the mutual consent of the parties hereto and evidenced by an instrument in writing signed by the parties.

COUNTY OF WASHOE, a Political
Subdivision of the State of Nevada

By: Ted Shurt

Title: Chairman

ATTEST:

By:

Amy Harvey

Title:

Washoe County Clerk

INDEPENDENT SANITATION,
a Nevada corporation

By:

Thomas J. Green

Title

V.P.